Workforce Planning

Maximizing the State of California's Workforce

Background

An organization's workforce represents one of its largest capital investments, and yet for many years, most organizations have simply assumed a steady transition from generation to generation in the workplace. Traditional workforce management has allowed successor generations to replace outgoing or retiring generations. However, today's workforce presents an untold challenge for many organizations. One of the greatest challenges involves the generation gap in the workplace. For most organizations, today's workforce is comprised primarily of the Baby Boomer Generation, defined as those individuals born between the years 1946 and 1964, and Generation X, comprised of those individuals born between the years 1964 and approximately 1977. There are more than 70 million Baby Boomers in the workforce today compared to only 40 million Gen-Xers following them. This tremendous imbalance between the size of these generations in the workplace, as well as the sheer size of the Baby Boomer generation compared to all other generations in the workplace, creates a huge disparity both in the number of employees available to succeed Baby Boomers and in the skill level of these successor employees. Clearly, a major talent and successor crisis looms for most organizations, and the basic question that most employers should be asking is, "Who will do our work?"

Workforce planning is rapidly becoming one of the most critically important human resource management tools available for meeting the challenge of today's changing workforce.
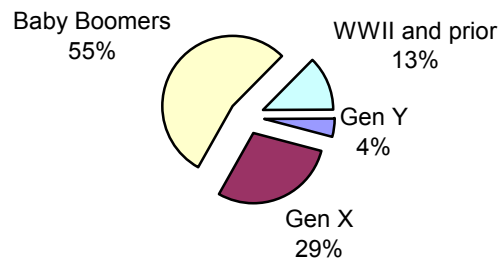
Today's Changing Workforce

Some visible trends that illustrate the changing workforce and clearly signify the importance of workforce planning to maximize the State's workforce include the following:

- The State's workforce is comprised of multiple generations; however, Baby Boomers are by far the most predominant generational group in the workforce.

State of California
Generations in the Workforce

Baby Boomers 55%
WWII and prior 13%
Gen Y 4%
Gen X 29%

- The overall population is aging, as is the State's workforce. The number of employees at least 50 years of age will increase over the next 5 to 7 years as the chart below indicates.
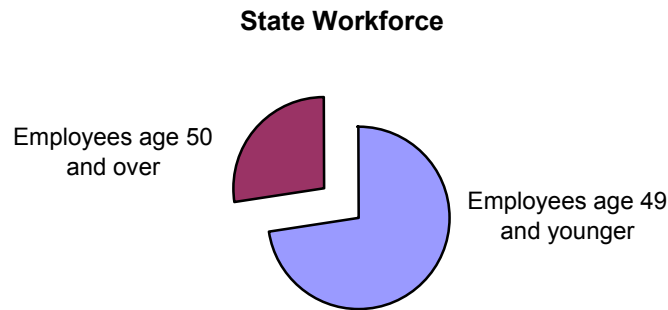
Age of State Workforce
by decades

Total by age category — under 30, 30 to 39, 40 to 49, 50 to 59, 60 & over
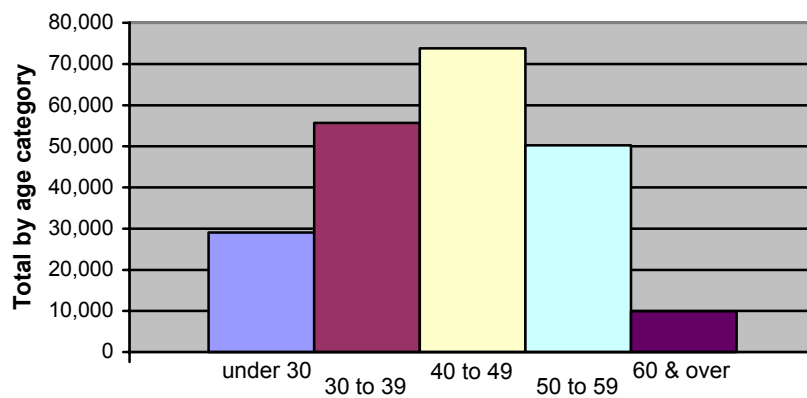
- Approximately 28% of the State's workforce is at least 50 years of age, making retirement the next major life event for nearly 60,000 employees.

State Workforce

Employees age 50 and over

Employees age 49 and younger

Although Baby Boomers are reaching the traditional age of retirement, they are completely redefining the idea of what retirement is and means. Boomers are and will continue to be an active component of the workforce for a wide variety of economic and personal reasons. Adult children in college, paying off of vacation or dream homes, compensating for past CalPERS Tier II participation, and other financial obligations may hold retirement-eligible employees in their jobs longer than may be expected. However, Boomers are more likely to seek part-time or telecommuting options for continuing employment as opposed to the typical 8-to-5 schedule. They have an expectation of working longer and later into life than did the generation that preceded them.

- The number of retirements in the State's workforce has generally decreased over the past five years, with the exception of the year 2000, when the "2%@55" retirement formula was implemented. With current budget constraints and potential staff/position downsizing, as well as the aging of the State's workforce, it is unclear how the State's retirement rate may be impacted over the next several years. The table on the following page illustrates the number of retirements in the State's workforce in the last five years.

State of California Workforce
Number of Retirements for Past 5 Years
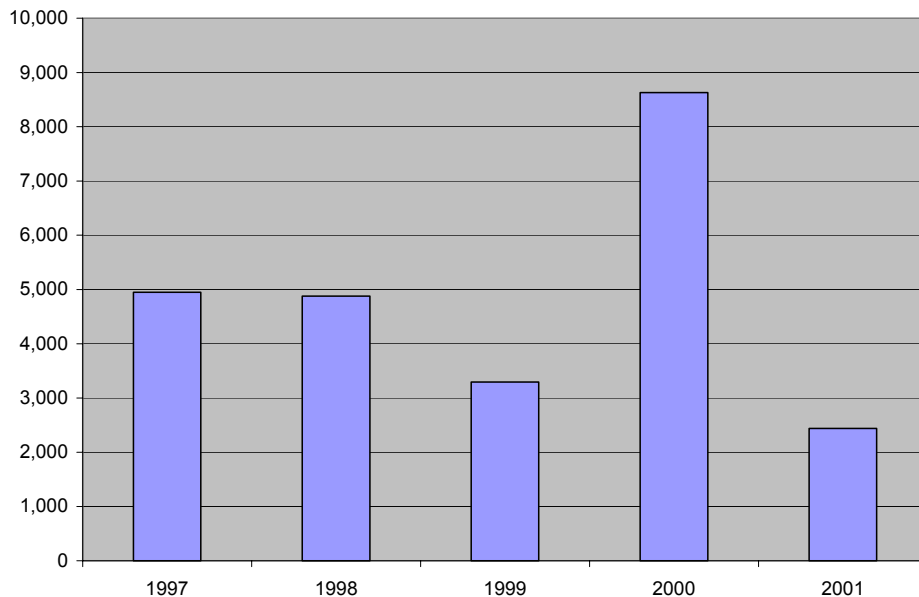
- The available labor pool is shrinking and resulting in greater competition among employers for potential employees. Organizations which can better meet the needs and desires of potential employees with respect to work/life balance, as well as traditional salary, benefit, and work condition offerings, will be much better prepared to compete in the labor market. It is, therefore, incumbent upon employers today and, more specifically, every State agency and department to reconcile their workforce requirements with the personal needs and desires of current and potential employees.

- A number of surveys and studies have identified a shift in today's labor force from a loyalist, "hire-and-retire-from-one-company" mindset to a mindset of free agency. The age of free agency in today's workforce has employees viewing each employment opportunity with an eye towards the long-term value of that opportunity. Value in today's labor market may mean preparing the individual for his/her next role in the same organization, preparing the individual for a new job with another organization, or preparing for a non-job-related life event such as retirement.

Employers that recognize the changing workforce and the organizational demands posed by the changing workforce will be far better prepared to ensure the presence of a competent, strategically planned workforce. Organizations that strive to offer work environments, opportunities, benefits, and salaries that are closely tied to the needs and desires of their workforce stand to be far more successful than those organizations that fail to address these elements.

Certain social and economic trends will be with us for the long term, and State agencies must position themselves to plan for those trends in order to achieve success in fulfilling their missions. Such trends include:

- *An aging and rapidly diversifying workforce*

- *New, dynamic mandates for State programs and agencies*

- *Technological and work value changes*

- *A changing definition of retirement*
  Though the impact of the recent "2% @ 55" formula change has yet to be seen, the notion of retirement at age 65 is disappearing. More so than ever, organizations are creating work arrangements that allow employees to work past age 70 or 80. Part-time, contingency, and consulting work arrangements allow these more seasoned employees to rebalance work/personal life needs and remain in the workforce long past previous generations.

- *An acknowledgement of the value of institutional memory and organizational experience as organizations manage an aging workforce*

Workforce Planning Defined

The IPMA *Workforce Planning Resource Guide* defines workforce planning as follows:

> *Workforce planning is the strategic alignment of an organization's human capital with its business direction. It is a methodical process of analyzing the current workforce, determining future workforce needs, identifying the gap between the present and future, and implementing solutions so the organization can accomplish its mission, goals, and objectives.*

Workforce planning as a process includes elements such as strategic planning (by both the organization and its partners), workload projections, legislative forecasts, turnover analyses, and budget projections. Workforce planning forecasts the numbers of people and types of skills needed to achieve success by comparing the available workforce with future needs to determine needs that may be unmet. In other words, workforce planning allows an organization to identify and resolve gaps between the size and skill of its current workforce and its future workforce as dictated by its business needs.

Workforce planning is a management tool that affects the full life cycle and range of human resources activities including recruitment/selection, classification and compensation, training and development, performance management, and retention.

The Process of Workforce Planning

The workforce planning process is simple in concept, makes common sense, and is consistent with strategic planning processes used by many government organizations. First, workforce planning requires an organization to rigorously assess the current skills and competencies of its workforce. Workforce planning also involves strategically assessing the skills and competencies needed for an organization's future workforce. Finally, workforce planning requires the commitment and cooperation of the entire organization (not just the formal Human Resources function).

Workforce planning models typically incorporate the following elements:

1. Analyzing the organization's current workforce and capabilities (e.g., the people, skills, and competencies currently available)

2. Identifying the organization's future workforce needs (e.g., people, skills, and competencies needed to achieve long-term objectives)

3. Comparing the current workforce to the anticipated future workforce to identify imbalances (e.g., gaps and surpluses in resources, skills, competencies, and expertise)

4. Developing HR policies, plans and approaches to build the workforce of the future (i.e., eliminate imbalances (gaps) between the future workforce and the present/current workforce) and
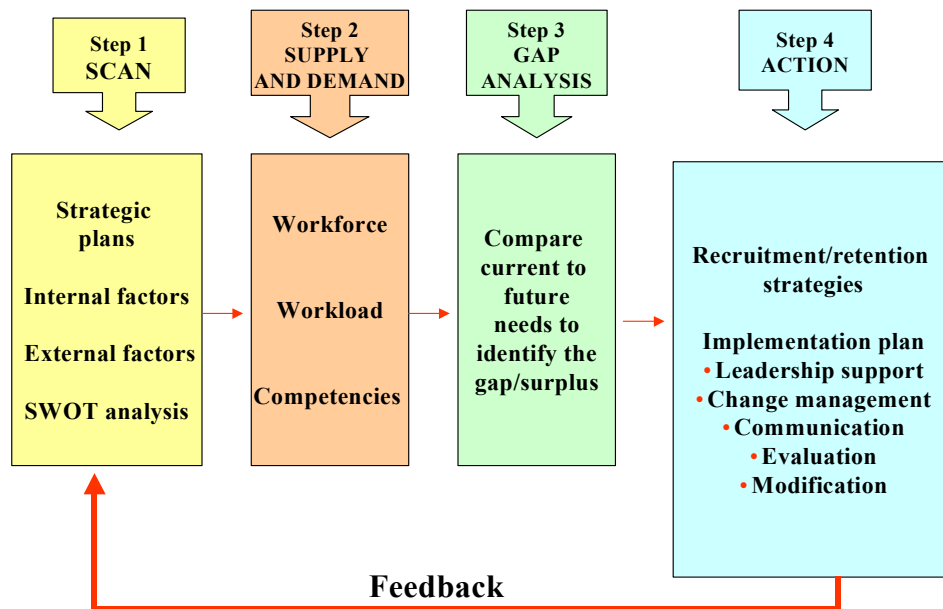
5. Evaluating the permanent process and results to ensure that workforce needs and capabilities are continually assessed, imbalances identified and eliminated, and that corrective plans are developed and put in place

Below is a sample workforce planning model:

IPMA Generic Workforce Planning Model

Step 1 SCAN	Step 2 SUPPLY AND DEMAND	Step 3 GAP ANALYSIS	Step 4 ACTION
Strategic plans Internal factors External factors SWOT analysis	Workforce Workload Competencies	Compare current to future needs to identify the gap/surplus	Recruitment/retention strategies Implementation plan • Leadership support • Change management • Communication • Evaluation • Modification

Feedback

Workforce planning isn't just a good idea – it is an imperative for the well-being of organizations. It is no longer a luxury for organizations to pursue when time allows – it is a necessity. Workforce planning will become a fundamental way for employers to do business to ensure the recruitment, development, motivation, and retention of talented individuals.

The Support of the SPB

The State Personnel Board (SPB) encourages all State departments to begin their workforce planning as a means to improve and enhance their strategic planning process and to improve service delivery to the public. The State Personnel Board is currently making available relevant workforce data to enable State departments to begin the workforce planning process. ***Refer to the link at the bottom of page 10**.*

Resources

It is anticipated that with the SPB's support and access to available resources, State departments will engage in the workforce planning process. There are several workforce planning models and guides available for further research. Additional resources include the following:

- A number of states have begun to research and implement workforce planning efforts within their organizations. The following resource materials ranging from analyses of demographics to strategic plans to workforce planning manuals are available from states engaged in workforce planning activities.

  State: **Arizona**
  Topic: *Salary Plan and Competing for Talent*
  Web Address: http://www.hr.state.az.us/classcomp/ar2000.pdf

  State: **Georgia**
  Topic: *Strategic Planning and Workforce Planning*
  Web address: http://www.gms.state.ga.us/agencyservices/wfplanning/index

  State: **Iowa**
  Topic: *Demographics and Trends*
  Web Address: http://www.state.ia.us/idop/rtfs/PERB%20Presentation%20-%20Oct%2024%202000.ppt

  State: **Kansas**
  Topic: *Workforce Planning Report*
  Web Address: http://da.state.ks.us/ps/documents/00work.pdf

  State: **Maine**
  Topic: *Statewide Statistics*
  Web Address: http://www.state.me.us/bhr/AnnualReport/index.htm

  State: **Minnesota**
  Topic: *Strategic Staffing Guidebook*
  Web Address: http://www.doer.state.mn.us/stf-strat/strstf-1.htm

State:	**New Jersey**
Topic:	*Workforce Profiles*
Web Addresses:	http://www.state.nj.us/personnel/policy/workforce.htm
	http://www.state.nj.us/personnel/policy2001/1.pdf

State:	**New York**
Topic:	*Work Force and Succession Planning* guide for use by New York State agencies and staff
Web Address:	http://www.goer.state.ny.us/workforce/planning/exec.html

State:	**Washington**
Topics:	*Workforce Planning and Manual*
	Competency Profiles
	Competency Assessments
Web Address:	http://hr.dop.wa.gov/workforceplanning/index.htm

- The Federal Office of Personnel Management)OPM) has established a website to provide information on the progress that the Federal government has made to date. The site is located at http://apps.opm.gov/HumanCapital/index.cfm

- The United States Bureau of Labor Statistics (BLS) provides a variety of reports and materials detailing national, state, and local labor economics and statistics. The BLS website is located at http://www.bls.gov

- The Bureau of National Affairs (BNA) is a fee-based service offering a variety of reports to subscribers. for a fee. The BNA website is located at: http://www.bna.com

- The California Department of Finances' Demographic Research Unit is designated as the single official source of demographic data for State planning and budgeting. As such, it contains a variety of reports, tables, and data specific to California. The website link is: http://www.dof.ca.gov/HTML/DEMOGRAP/Druhpar.htm

- The International Personnel Management Association (IPMA), an international human resources organization, recently released its workforce planning resource guide for public sector professionals, entitled *Workforce Planning Resource Guide for Public Sector Human Resource Professionals*, which is available at: http://www.ipma-hr.org/index.cfm?navid=62&id=2362&tcode=nws3

Resources
(continued)

- A recently published book, *Workforce Management: How Today's Companies Are Meeting Business and Employee Needs* published by McGraw Hill and written by Barbara Pope, offers insight into steps that several case study companies are taking to implementing workforce planning.

Additional SPB Support and Resources

The SPB is committed to the promotion of workforce planning efforts within the State and will continue to provide additional information and resources regarding workforce planning as they become available.

For additional information, contact Gene Castillo of the SPB's Special Projects Unit at (916) 653-3763 or by e-mail at gcastillo@spb.ca.gov.

Link to State Workforce Data

Workforce Planning Data